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Impact of Proposition 13 and Proposition 8 on San Francisco Community College District

Proposition 13

Proponents of Proposition 13 are making public statements to the effect that the passage of the initiative on the June 6 ballot will have no adverse effect upon the funding of education because schools have first claim on state monies.

Howard Jarvis, co-author of Proposition 13, said in a speech before the Sacramento Apartment Association that "those who claim school district funding will dry up if the initiative goes through simply don't know the facts. The schools have first claim on the state's money. The politicians, the Governor . . . nobody gets paid until the schools get their money."

Misleading Statement

Jarvis' statement was challenged by the editor of the Sacramento Education Newsletter, Gordon Winton. Winton called the Jarvis statement "misleading if not erroneous." He said that 60% of support for public education comes from the local property tax. Proposition 13 would cut back the property tax by 60% statewide causing public education to lose approximately one-third of its present income.

The constitutional guarantee has no effect upon the local share of funds for education; it merely guarantees that in the event there is a shortage of state funds, schools will come first.

Other Revenue Losses

The loss of local property tax would trigger a loss of at least some federal and state funds because of the in-

ability of school districts to make matching appropriations where required by state and federal law. This

**If lost revenue funds
were not replaceable from other
sources, the San Francisco
Community College
District operations which
includes City College
of San Francisco and nine
Community College
Centers would come to a stand-
still in mid-October, 1978.**

is also true of state and federal requirements for maintenance of effort in order to qualify for continuance of requirements of categorical aid. Winton said that if local effort is cut, federal and state funding would be cut as well.

Constitutional Guarantee

The State Constitution, Chapter 16, Section 8, reads: "From all state revenues there shall first be set apart the monies applied by the state for support of the public school system and public institutions of higher education." (November 5, 1974)

The monies that the state sets aside for education in order to meet its share of apportionment can be no less than \$180.00 per student in average daily attendance (Article 9, Section 6 1/2, State Constitution.)

(The Basic Aid share of state ap-

Proposition 8

The passage of Proposition 8 on June 6, the companion piece to SB 1 known as the Behr bill and already signed into law by Governor Brown, would not affect the current financial position of the Community College District.

Proposition 8 would affect the amount of revenue which could be generated from the property tax for individually owned homes and all other real property.

SB 1 shifts the revenue responsibility for the remainder from the local taxpayer to the state. The replacement funds are expected to be recovered from the existing state surplus. Some legislative analysts estimate that the existing surplus could last up to five years. What will happen to financing of local government services beyond the time the state surplus dries-up is a matter of pure conjecture.

In order to put SB 1 into effect, the electorate must pass Proposition 8 and reject Proposition 13.

Passage of Proposition 8 will be subject to court review regarding its legality.

portionment allocated to college districts is currently \$125.00.)

What About State Surplus?

People are eyeing the state revenue surplus as a source of possible replacement funding for the loss of local revenue resulting from a reduced ad valorem tax.

It is estimated that the state surplus is somewhere between \$3 and

\$4.25 billion. However, there is no guarantee that the Legislature would single out education as the top priority for replacement funds from the surplus. Protective services such as fire and police, health services, transportation and other local governmental services would all be affected by the loss in revenue.

Legislative analysts feel that fire districts throughout the state would be hit hardest since they depend upon the property tax for 90% of their operating funds and therefore would be high on the list for replacement funding.

Recreation and Parks receive a sizeable portion of their incomes from property taxes and would be lobbying the Legislature to have cuts restored.

Education would have to queue-up for its share of replacement funds from the state surplus, should Proposition 13 pass and should the Legislature move to restore lost revenues to cities from the state surplus.

Assembly Ed.-Comm. Appraisal

The State Assembly Education Committee is assuming that in addition to the loss of local revenue resulting from reduced ad valorem taxes, there would be major revenue losses incurred from state and federal sources.

Proposition 13 would have a decided impact on education at the state level since equalization aid, permissive tax levies, bonded indebtedness, other capital outlay as well as

the financing of the State Teachers' Retirement System would be affected.

Big Loss in Equalization

The loss of local tax revenue for education would trigger a loss of equalization aid to community college districts. In order to qualify for equalization aid, a community college district must levy a tax rate of 35¢ per \$100 of assessed valuation. Proposition 13 would reduce property taxes statewide by 60% or more which would drop most community college districts below the 35¢ taxing level. The San Francisco Community College District would stand to lose all of its equalization aid under the circumstances.

Community colleges which depend heavily upon the use of permissive tax levies for their community service activities would have to abandon all such operations.

The future bonding capability of districts would be effectively prohibited by the initiative. Any new property taxes for general obligation bonds would have to be financed within a steadily declining valuation base and be authorized by 2/3rds of all "qualified voters." This would tie the hands of community colleges and other public agencies as far as financing capital improvement projects are concerned.

State Teachers' Retirement Affected

The State Teachers' Retirement System would be directly affected. The more serious impact would be

the ability of school districts to make their required STRS payments to the state because there would not be enough funds to meet payrolls and pay retirement contributions, too.

Because of reduced assessed valuations, the state's share of funding

The Legislature is not required under the State Constitution to make up the loss of any ad valorem (property tax) revenue incurred at the local level.

STRS would increase by \$15 to \$20 million.

The Assembly Education Committee also points out that most state categorical aid programs require maintenance of effort. Any relief would require legislative action. Categorical funds for Adult Basic Education (ABE) and Vocational Education (VEA) would be jeopardized due to the inability of school districts to comply with the maintenance of effort provisions.

SF College District Hard Hit

If Proposition 13 passes, the San Francisco Community College District stands to **lose 68.8% of its revenue across the board.** Assuming that the county distributes the ad valorem taxes under Proposition 13 in the same ratio as prior year tax levies,

EFFECT OF PROPOSITION 13 ON SAN FRANCISCO COMMUNITY COLLEGE DISTRICT REVENUE

	1977-78 Regular Budget	1977-78 Prop 13 Budget	Dollar Loss to District	Percentage Loss	Replacement Provisions
State Apportionment	\$16,909,384	\$ 5,275,728	\$11,633,656	68.8%	NONE
Ad Valorem Tax	20,859,576	6,500,432	14,359,144	68.8%	NONE
Other Income (Federal and Out-of-State Tuition)	8,174,795	2,541,209	5,633,586	68.8%	NONE
Total	45,943,755	14,317,369	31,626,386	68.8%	NONE

Mayor Moscone Weighs Effects of Propositions 13 and 8 on City Services, Issues Warning

(Mayor George Moscone provided this special message to readers of Intercom regarding the two ballot measures promising tax relief.—Ed.)

"Try to imagine a San Francisco with no libraries — a City in which all of our parks and playgrounds were closed — a community in which police and fire protection were cut back drastically — a City where schools were shut down, health services eliminated, and neighborhood centers were closed overnight.

"That sounds like a frightening City. But all of these developments are highly probable if the Jarvis-Gann initiative, Proposition 13, is approved by the voters this June 6.

the District would lose 68.8% of its ad valorem revenue or \$14,359,144.

The drop in state apportionment would mean a loss of \$11,633,656 or 68.8% from that revenue source.

The Community College District would be left with a revised operating budget of \$14,317,369 for the coming year. It is estimated that this sum would carry the District for 3.7 months into the 1978-79 academic year.

No Replacement Provisions

Proposition 13 makes no provision for the replacement of funds lost through the reduction of the ad valorem tax. If passed, the State Constitution would be amended to require a $\frac{2}{3}$ vote of the Legislature for any increase in existing taxes and would prohibit the Legislature from enacting any new taxes based upon the value or sale of real property.

Any recovering of lost revenue at the local level would require an affirmative vote of $\frac{2}{3}$ of all qualified voters to raise, city, county or special district taxes.

Passage of Proposition 13 will be subject to review by the State Supreme Court regarding its constitutionality.

"The proponents of Jarvis-Gann would have you believe that their measure should be passed because it will provide tax-cuts to property taxpayers. But this is a highly deceptive, and even fraudulent argument.

"Proposition 13 would affect only those citizens who pay direct property taxes. It would not provide one penny of relief to those citizens who rent their homes.

"Jarvis-Gann is a deceptive ballot measure. It promises pie-in-the-sky relief to everyone. In reality it benefits only a portion of our citizens."

"That's a very important distinction in a City like San Francisco, where more than seventy percent of our residents rent their homes. And it's equally disturbing in a state like California, where almost half of our citizens are renters.

"None of us needs to be told that renters do pay property taxes, however indirectly. Renters pay more than their fair share of the tax-load in the form of increased rents, and other costs passed on to them by property owners.

"When you dispense with political rhetoric, this entire campaign comes down to the way we provide tax relief to our citizens.

"In the guise of tax reform, the Jarvis-Gann initiative would cripple major governmental services beyond recognition. Proposition 13 would reduce the revenues which San Francisco's government utilizes by more than two-thirds, and would make it very difficult to recover these funds in future years.

"By promoting a meat-axe approach to the issue of tax relief, Jarvis-Gann would eliminate services which the people of this City have a right to expect.

"Contrary to what you may have heard, there is an alternative to Proposition 13 on the June 6 ballot. Proposition 8 would authorize the taxation of homes at a lower rate than commercial, revenue-producing property.

"Coupled with a tax-relief program recently signed by the Governor, this measure would guarantee an immediate 30% cut in property taxes. Just as important, it would increase renters' tax credits as well.

"Proposition 8 will generate major tax relief, and yet it will not accomplish this by decimating local services. The tax-cut will be financed out of the state's surplus, and it is a decent alternative to the chaos which would be created by Proposition 13.

"If we fail to adopt the wiser of these alternatives, we must ready ourselves for a period of great hardship in this City.

"When you enter the voting booth this June 6, I urge you to consider the options, and to make the choice which best benefits you, your family, and this City.

"I believe that the choices are very clear.

"The future health and vitality of our community depends upon your decision."

George R. Moscone
Mayor, City and
County of San Francisco

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COMPARISON OF PROPOSITIONS 13 AND 8

Here is what would happen if either of the two rival tax-relief plans were to go into effect:

Proposition 13 (Jarvis)

Proposition 8 (Behr)

HOMEOWNER RELIEF

Statewide property tax rates would be reduced about 57 percent. The tax rate would be based on about 1.25 percent of value (1 percent plus funds for retirement of bonds).

Statewide, the average property tax relief would be 32 percent in the first year and about 35 percent in four years.

OTHER PROPERTY OWNERS

The 57 percent cut would apply to factories, apartment houses, farms and other classes of property.

No direct relief.

RENTERS

No direct relief. (Landlords could, however, pass on their savings in property taxes to tenants through lower rents.)

The income-tax credit for renters would be increased from \$37 to \$75 a year.

SENIOR CITIZENS

Nothing beyond general homeowners relief.

Homeowners over 62 with incomes below \$13,000 a year would be eligible for additional property-tax exemptions. Renters over 62 also would get improved benefits. These senior-citizen benefits work on a sliding scale based on income.

ASSESSMENT FEATURES

Rates would remain the same for all classes of property.

For the first time, rates could be reduced for owner-occupied homes, while rates remained at a higher level for other classes of property. (See Prop. 8 description.)

GOVERNMENT SPENDING

Establishes two-thirds vote requirement for increases in state taxes and for voter approval of new local taxes.

Places limits on increases in state and local governmental spending. The maximum annual increases under this provision have been estimated at 8 percent for local government and 12 percent for the state. But these figures could vary significantly with an overall change in economic conditions.

OTHER TAXES

Californians would pay about \$2 billion of their tax-relief money in higher income taxes. They might have to pay additional state and local taxes to make up for the loss from the property-tax base.

The entire program would be financed from current state surplus funds. There would be a \$400 million increase in state and federal income-tax collections through loss of property-tax deductions.

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